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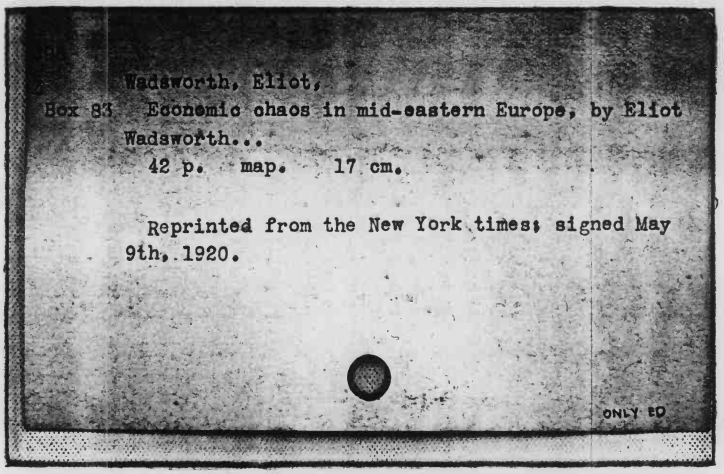
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ECONOMIC CHAOS
IN
MID-EASTERN EUROPE

BY
ELIOT WADSWORTH
(recently returned from Europe)

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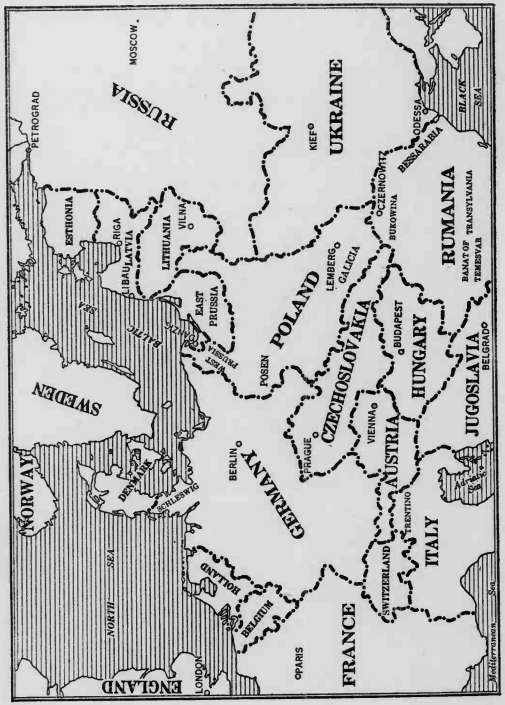

Map of Mid-Eastern Europe

8 June 1920 Jnw

Economic Chaos in Mid-Eastern Europe

THE complete change which has taken place, due to destruction during the war and the creation of a large number of new states, has made the business situation in Europe an entirely new world.

In most of the consideration which is given to the economic revival of Europe, I believe, that country is regarded too much as though in the economic condition which existed before the war.

The enormous industrial development of the last fifty years was made possible by a splendid railroad system, covering every locality from the coast of France to a line running from Petrograd to the Black Sea. The whole of Europe was on a gold basis. Exchange of money could be

carried on as quickly between Paris and Warsaw as between New York and St. Louis.

Contracts of purchase and sale with fixed deliveries could be made between merchants, each having complete confidence in the other as the result of many years of continuous business. Doing business throughout Europe was much the same as doing business within the United States.

To-day these conditions, which were so productive and so profitable, are practically wiped out.

To understand this change it is necessary to study the new map of Europe as laid down by the Peace Conference and to understand the almost impassable economic barriers created by the new geographical boundaries. Look at the little sections into which Eastern Europe has been cut, beginning at the south

with Jugoslavia and Rumania, extending through Hungary, Austria, Czechoslovakia and Poland, Lithuania, Latvia to Esthonia on the north.

Across the Gulf of Finland, still another State, Finland, is struggling with its own individual problems. Each state has its own government, its own currency, its own railroad system; each is paddling its own canoe. There is no such thing as a gold basis. The paper money so lavishly created constantly fluctuates, but the general trend is to a steadily lower value as compared to a loaf of bread or a pair of shoes. This means a steady and rapid rise in prices and increasing difficulty in the making of purchases outside the country. Each nation holds on to what it has in the way of materials and rolling stock. To allow a railroad car to cross the frontier into

another nation may mean saying good-by to it for many months—perhaps forever. So much for a general comparison between things as they are and things as they were.

Now as to certain individual countries.

GERMAN AUSTRIA'S PLIGHT

In Austria we find all that is left of the former Austro-Hungarian Empire, with some 6,000,000 people, one-half of whom live in urban communities and 2,000,000 in Vienna. The whole country can produce in a good year about one-quarter of what it needs to eat. It must purchase the balance outside the country or starve.

There is practically no industry in the country in operation to-day which produces materials for export. The future of such a country holds forth no hope. Since the armistice

only the sale of food supplies to Austria on credit, without considering whether or not the credit was good, has kept this nation from complete collapse.

Vienna is perhaps the most striking example of the economic breakdown of a city that can be found to-day in Europe. Its 2,000,000 people are living largely in idleness and on Government allowance.

The official ration of food provides 900 calories a day, whereas the experts on food values have always held that 1,500 to 1,800 calories was essential. It is a thoroughly unpalatable ration, largely made up of very dark bread, some rice and some beans.

During last winter the official allowance of coal has been fifteen pounds per week per family. This means that people seldom have cooked food and very little heat. If

it were not for the wood, which is brought into the city by long streams of men, women and children, who walk miles to the forest and come back with incredible loads upon their backs, the fuel situation would have been much worse.

This line of wood carriers, in rags and tatters, and the hillsides, once part of a beautiful public forest, now absolutely stripped of the smallest piece of wood, tell the story of the poverty in which these people live. Only an extraordinarily warm winter has kept the death toll from cold reaching a shocking figure.

From the looks of the people on the street, and from the way they move, the low vitality of the population is evident. Those who are fortunate enough to have money or personal effects which they may barter for food are able to feed themselves to a reasonable extent.

Those who must depend upon the Government ration, and who only have money enough to pay for that, are only half alive. It has been said that they had too much to die and not enough to live.

HARDSHIPS OF SALARIED CLASS

This situation falls more heavily upon the people of fixed salary or fixed income than upon the worker, whose pay has been increased by leaps and bounds. The Government official, teacher and college professor, and the widow with an annuity have found the purchasing power of their income go to one-twentieth what it was before the war.

Personal effects, clothing, furniture, jewelry, etc., are being sold from week to week by this class. Vienna offers the great second-hand sale of the world. When these

things are gone what then? Nobody can give the answer.

I talked with a professor who had been thirty years at the University of Vienna. His pay had been raised three and one-half times since the beginning of the war, so that he now receives 42,000 kronen a year. With his wife, a married daughter and her child, his minimum expense is 100,000 kronen, a very large proportion of which is for food alone.

For thirty years he has been building up a library—his greatest pride. He has already sold half of his books, all but two suits of clothes, one for daily use and one for formal occasions, when he must appear well. He has practically no underclothes or socks and few shirts. When asked what would happen when the other books were gone he could only answer with a shrug of his shoulders. His pay is far higher than that of

many officials. They are all doing the same thing, and all know that there is an end to their resources.

The Austrian paper money, formerly valued at 5½ kronen to the dollar, now has a value of 225 to 250 kronen to the dollar. A pair of shoes, and not very good ones at that, may bear a price tag of from 1,000 to 1,500 kronen. The store-keepers who are still doing business frankly say that when they have sold their existing stock they are through. To import more is impossible. Raw materials are not available to make more in Austria.

The situation is complicated by the fact that farmers outside Vienna, who produce a surplus of food above their own needs, are not willing to sell their product at the Government price. Theoretically the Government is the only buyer. Practically, at the prices set, the peasant will not sell—at least not all his surplus.

ON FAMINE'S THRESHOLD

The great need has led to an enormous smuggling of food by the farmers into the city, where it is sold at very high prices to those who can pay. A pound of butter may bring 150 to 200 kronen; a pound of flour 75 to 100 kronen. Meat and eggs sell at proportionate figures.

These prices have brought one more step in the economic breakdown of city life, namely, that farmers are beginning to refuse the paper money in payment. The city people must barter goods for the farmers' food. Clothing, shoes, graphophones, furniture, are paid out for daily food.

When Dr. Kapp attempted to assume the reins of government in Berlin and a general strike followed, the slender shipments of coal which go into Austria, by orders of the Allied Coal Control, ceased. Austria had

three days' supply of coal and every railroad train in the nation was stopped. This aggravated the food situation, as the supply of perishables ceased to arrive except by wagon.

Vienna was in the depths of gloom when word was received that by act of Congress the United States Grain Corporation had been authorized to sell flour on credit, and that Austria was to receive some of it. This word came when the Government could only see two weeks' supply of food ahead, and the shutdown of the German railroads prevented the arrival of other supplies, awaiting shipment in Holland, where they had been purchased by the sale to outside capitalists of the State's tobacco monopoly.

One more asset gone—perhaps the best—in return for a few weeks' food, and this food could not be moved! The German railroads began to run

again and American flour could be expected before long. Another crisis had passed, but there was nothing constructive in the solution.

Personal examples could be given in numbers as to the suffering of formerly well-to-do families. It is an economic situation which must be clear to anybody. The tragedy of it is the fact that no one has pointed a way out.

AID FROM AMERICA

Into this stricken city American help has gone in two ways: The children have received from the American Children's Feeding Association a good meal of 650 calories on each week-day. In the whole State 340,000 children were examined; 330,000 were undernourished. In Vienna 140,000 go each day to the allotted point of distribution with their motley assortment of pans and cans.

The long line moves rapidly by the serving tables where the day's ration is given out. No one could look at the eager and wistful eyes of those pale youngsters without a thrill of sorrow. They show plainly in their thin white faces and undeveloped bodies the undernourishment of months and years. To some it is the only meal of the day; to others it is breakfast and lunch combined. With the utmost care they move to the long wooden tables and sincerely devour every crumb of bread and drop of soup or milk.

Little dish-washing is needed after that daily meal.

Throughout these Eastern countries nearly 4,000,000 children have been fed during the last winter, through the unique organization made possible by the farseeing executive genius of Herbert Hoover. There can be no doubt that this gift from

America has saved hundreds of thousands from death or some serious and permanent injury.

The other help has been through the American Red Cross. The hospitals, in which there are more sick than ever before recorded, are hard pressed for linen, drugs and invalid foods. The American Red Cross has sent to Vienna a considerable supply of these things, which have been distributed where they will do the most good, and have brought a chance to live and even a touch of comfort to the many thousands of patients.

Throughout all these Eastern countries a practical message of relief has gone thus to the sick and the destitute from the American people. Hospitals stripped by the Bolsheviki have been re-equipped; hundreds of thousands of women and children wear as their best possession a Red Cross sweater or garment made by

the women of the Red Cross in America. They are in evidence everywhere. These gifts, distributed by Red Cross workers, constitute another splendid message of friendship and sympathy. No woman who gave her time, no donor who gave money, could ask that their sacrifice would mean a more real relief.

For the situation there nature will find a slow solution. The death rate has gone up substantially; the birth rate has gone down. This is too slow a method. Already many thousands of people have left the city, but for the poor, and even for the middle class, travel on the railroads is impossible because of the expense; and there is no country adjoining Austria which would welcome more mouths to feed.

Vienna can go through this spring on the American flour and on its other supplies. In the Autumn will

come the crop, which will carry them through another month or two—if it can be acquired from the producers. Beyond that there seems to be no light.

IN CZECHOSLOVAKIA

To the north of Austria lies Czechoslovakia. On account of its production of foodstuffs and coal it is far better off than Austria. It has, however, a very large industrial population, which is only in small part at work again. Czechoslovakian kronen have nearly twice the value of Austrian kronen, but even at that figure the purchase of raw material in America is almost prohibitive.

Material must come across Germany, or over the limping railroads of Austria from Trieste. There is some sign of revival but still the wage worker who lives in the city is a long way from being economically

safe or comfortable. The problem of transportation is a large one for this inland country.

All its external business is at the mercy of not too friendly neighbors.

POLAND

Poland is by far the largest of the new countries carved out of Europe by the Peace Conference. It has three distinct populations. Some have lived in Germany, some in Austria, and a large proportion in Russia for the last 150 years. They have known only the laws, customs and methods of these three very different countries. Although Poles by nationality and loyalty, they come to the Central Government at the Capital in Warsaw with most divergent ideas and standards.

A Diet or Parliament was elected more than a year ago to create a Constitution, but has not yet done

so, due to the difficulty of agreeing on any policy as to the land. How to divide, when to divide and into how small pieces, has been the cause of endless debate with no definite answer. Meanwhile, first under Mr. Paderewski, now under General Pilsudski, the Government has functioned, has printed its own money and raised its own army.

The Polish mark began with a value of ten to the dollar. It has dropped continuously until 160 marks could be purchased for a dollar last March. The amount of the currency is very large.

A million men are in the field, nearly all are along a line of some 400 miles, facing the Bolsheviki. Some of the troops face the Lithuanians on the north, where a little skirmishing occasionally occurs. This army has been through a terrible experience. Its equipment was inadequate.

Less than half of the men had overcoats in the early part of this winter and many were without shoes. In spite of this the troops drill and march and sing with splendid spirit. Two more classes were called early in the present year and could be seen drilling on the streets of every city and town. They constantly sing as they march, strong, deep-toned patriotic music.

Poland's military career has been brilliant, although the nation has only been in existence a few months more than a year. The Polish Army has constantly driven the Bolsheviki back until the line running north and south is 200 kilometres or more east of what was formerly known as Congress Poland. Bitter fighting took place a year ago in and about Lemberg against the Ukrainian army, with complete victory for the Poles.

Polish domination was extended

more than 200 kilometres east of Lemberg, the Ukrainian forces practically eliminated, and the attacks by the Bolshevist forces steadily beaten down. Within the last five days reports have come that the Polish cavalry has taken Kiev, nearly 300 miles east of Lemberg. A wonderful but perilous advance for an army with such poor transportation equipment behind it!

PROBLEMS IN POLAND

Negotiations for peace with the Bolsheviki were being considered in March by a constant exchange of wireless messages between Moscow and Warsaw. It is quite evident that nothing has resulted so far.

The Poles frankly fear peace more than war. They fear the demobilization of their army, which will greatly add to the problem of unemployment. They dread the influx of destitute

and lice-infested refugees who will pour out of Soviet Russia toward the west. In the year 1919, it was estimated, 2,200,000 of these refugees came into Poland.

About a million were Poles, most of whom had been driven east in the great retreat of the Russian army in the autumn of 1915, when the whole country was devastated so that the pursuing Germans should have nothing for their support. The balance of these refugees were made up of all nationalities fleeing from the suffering and terrors of the Soviet rule toward any land where civilization remained.

A large proportion of these people are coming back to their farms in the great area east of Warsaw. They find their land but nothing else—no houses, no horses, no agricultural equipment, no seed. For five years the land has been untilled. Some

give up in despair and wander on, often to become a Government charge in the cities. A great number go to work, living in the most primitive way, breaking as much of the soil by hand as is possible. They know what the coming winter will mean if they do not produce something to eat this summer.

This flood of humanity has been a great problem for the Polish Government. We have only to picture what it would mean to our own great country, living in plenty and peace, were such a flood to sweep across the Canadian frontier and plant itself upon our cities and villages.

Warsaw is packed with these people and with others who have come in from the devastated parts of the country. Lines stretching for blocks, in which men, women and children stand for hours, are in every part of the city. They wait for bread, for

shoes, for clothing, which is being doled out by a Government already hard pressed financially.

AT AN ECONOMIC STANDSTILL

It is unfortunate that Poland has not made as much headway economically and industrially as it has in a military way. The manufacturing centres, Lodz, Bielostok, Vilna and others, show practically no signs of revival.

The factories are not running, the people are idle. The situation, to a greater or less degree, is like that of Vienna. It should never be as bad as Vienna because Poland can produce a substantial part of what it needs to eat.

Poland will not produce this year enough to eat. Lack of horses, cattle, fertilizer, farming equipment and seeds all tend to make the farm output far less than it was before the

war. Poland must buy food outside the country. With what credit and where, no one can say.

The railroad system is totally inadequate to the need. Rolling stock is deficient and in bad order; fuel is scarce; repair parts for locomotives and cars are almost unobtainable.

The output of oil in Galician fields is steadily dwindling, due to the stoppage of new drilling. It takes more than a year to drill a new well and a large sum of money. There has been no security which would tempt anyone to drill a new well during the last six years; there is no capital to-day that will take the risk. As the old wells stop flowing the output is correspondingly decreased. The unofficial figures showed an output from this field in

1909.....	2,000,000 tons
1919.....	700,000 tons

Without new wells the output two years from now will drop to 400,000 tons. Oil and gasoline are as important to Poland and the surrounding countries as they are to the rest of the world. Such a shortage is a serious factor in the economic breakdown which is going on in Eastern Europe.

This, in brief, is Poland of to-day. What the future may bring it would take courage to predict. The country is new, the Government is new, the people just united. Along the eastern border is a great unknown Russia. To the west and south are Germany and Czechoslovakia, both struggling urgently to get back on their feet industrially and financially. There are many problems still to be solved.

LITHUANIA

One step further north we find the new nation of Lithuania, a rich agri-

cultural territory, not much industrialized and not yet much organized. There is a Government at Kovno which has had many changes in its personnel. The borders of the country, particularly those adjoining Poland, are by no means settled.

The Lithuanian Government has issued no new currency and has a small army which patrols its borders. A large proportion of the population go about their usual activities on the farms. The future of this new nation is quite vague and its policy and affiliations are not yet determined.

LATVIA

In Latvia we have another small nation of about one million and a quarter people, with the capital at Riga. The Government is organized under the leadership of a Prime Minister. An election was held a few days ago for President, the Prime

Minister, Mr. Ulmanis, being the leading candidate. Mr. Ulmanis has lived in America, and speaks the English language with American vigor and slang. He worked on a farm in Nebraska, became a student in the University of Nebraska and was later an assistant instructor in the Agricultural Department of that college. He is full of American ideas and hustle.

The country is laboring under many difficulties. Its currency, of which some 200,000,000 rubles have been printed, is at a great discount as against the western countries. Perhaps 160 rubles could be purchased for a dollar.

As for the future, the country should before long be self-supporting, but this year it needs additional food because of the interruptions to planting during the autumn of 1919. In spite of its newness, this little

country has already had a war with the Bolsheviki, and has driven them out and made peace with them within the last two months.

It has also had a bitter fight with the German Army of the West, formerly the von der Goltz Army and later the Army of Bermondt. Technically, war still exists with Germany, but peace negotiations are under way. These two wars, with the mobilization which they entailed of some 70,000 men, made certain parts of the country unavailable for planting and reduced the available man power throughout. The former record of production would seem to show that with the full force of the country at work on the farms ample food could be produced.

Industrially, the situation is very different. The large cities are almost at a standstill. Libau and Windau formerly served as ports for

a large amount of shipping for all this northern part of Russia. They are practically at a standstill. The heavy freight traffic to Moscow and Petrograd no longer exists.

RIGA'S IDLE FACTORIES

Riga was one of the great industrial centres of this part of Europe, a spendidly developed city with fine buildings, streets and public services. Of the population of 500,000, 80,000 found employment in some 320 factories. In one factory alone 12,000 were employed. For two years none of these factories have operated, with the result that the population is now less than one-half its former number.

Almost complete stagnation exists. There is only coal enough to run the gas works for three hours a day so that the people may use gas for an hour in the morning, at noon and at night. The great wharves are de-

serted and the railroad lines, which formerly acted as a summer terminal for through lines to Moscow and Petrograd, are now limited in their operation to the boundaries of the country.

An occasional train of mixed freight and passenger cars operates to Dvinsk. A train runs to the Esthonian border at the town of Wark. All operation is with wood fuel and the rolling stock and track show evident signs of the war and the constant fighting which has gone on in this territory during the last years.

The factories of Riga are in many cases partly or wholly dismantled. Before the retreat of the Russians much of the machinery was taken out. In the evacution of the Germans more was taken out. Here is one of the great producing centers of Northern Europe which has become a liability instead of an asset to the surrounding community.

ESTHONIA

In Esthonia we find another little nation of about 1,500,000 persons. It is a little more than a year old, largely agricultural, a democracy with a college professor as president. In common with all these countries, the machinery of government with its departments and bureaus is brand new.

In the brief course of its existence the Government has issued some 600,000,000 paper marks. Against this it holds some gold, delivered to it by the Russian Government when peace was made a few months ago. This is the estimated share of the Russian gold reserve which belonged to this particular portion of the old Russian Empire.

The capital, Reval, is greatly overcrowded by refugees from Russia. Food is already scarce and will be scarcer before the crops come in.

Planting was interrupted during 1919 by the war with the Bolsheviki and the operation of the army of Judenitch. During January and February, 1920, a terrible typhus epidemic developed in the northern part of the country along the Gulf of Finland. All sanitary control was lost.

A very serious situation was narrowly averted by the drastic action and great organizing ability of Colonel Edward Ryan of the American Red Cross. In the clean-up fight which he led, two American Red Cross men lost their lives—Lieutenant Winfield of Highland Falls, N. Y., and Lieutenant Blanton of Chattanooga, Tenn.

In spite of all precautions they caught the disease from working day and night among the patients, and gave their lives in rescuing this far-away people from a dreadful scourge. The Government officials and foreign

observers were unanimous in saying that this work saved Esthonia, and probably much other territory in that vicinity, from a tragedy.

Reval was formerly active industrially. Its greatest industry, a large shipyard, has been idle for many months. One or two of its mills are running part time and with many difficulties giving some employment.

The problem of the refugees who arrive from Russia is till pressing all through the country.

Across the Gulf is Finland, another independent nation, with its own Government, its own currency and many difficulties.

RECONSTRUCTION PROBLEMS

This, in brief, is a description of some of the new countries which formerly made up the great nations of Austria-Hungary, Russia and Germany. To the east of this tier of

States lies Russia, in almost complete economic disorder, a constant menace, not only from a sanitary point of view, but from the propaganda which is being actively circulated among these new peoples.

To the west lies Germany, struggling to regain its former industrial life, with its equipment unimpaired, but with a tremendous handicap due to shortage of raw material and coal. Germany can spare little or nothing to the rebuilding of the economic life of these new states. While the purchase of materials, repair parts and equipment from the western nations is almost impossible because of the lack of credit or money.

Even if these new nations could start their industries, the market which formerly supported them is gone. A large proportion of the product was sold into Russia. This

same condition seriously affects Germany's industries.

A considerable percentage—probably nearly one-half—of Germany's manufactured exports were sold to the East. It is quite evident that Russia in her present condition is unable to buy, and further evident that these new Middle Eastern nations are in no position to make any substantial purchases.

Reviving the industries and thereby reviving the cities is therefore a much more far-reaching problem than simply providing raw material and fuel. One hundred and fifty million Russians, even with their meagre purchases as individuals, provided part of the world market and the world consumption which has, for the present at least, disappeared.

The industrial life of Europe must adjust itself to this new condition. If the industrial life of the Middle

Eastern countries is allowed to break down still further, more of this consuming power is gone. If Germany could to-day start her industries on full time a large proportion of her export market would not exist. After providing the needs of her own people her product must seek a market westward, in France, England and the Americas.

If the industries of Riga could again be started, the market would be limited by the borders of Latvia, except so far as adjoining nations could, with their inflated currency, afford to purchase the products of her mills. The balance must move westward for a market.

CURRENCY DIFFICULTIES

The flood of varied currencies produced in eastern Europe beggars description. In addition to the new product of each nation Czar roubles,

Kerensky roubles and Soviet roubles are in circulation. The Red Cross Commission to the Baltic States, with headquarters in Riga, is forced to deal in thirteen different currencies whose values fluctuate from day to day, almost from hour to hour. The lack of any universal medium of exchange is an added and serious obstacle to any free interchange of commodities.

WHAT CAN WE DO?

This, then, is the Europe that we must think of when we consider plans of American aid toward rehabilitation. The Europe of before the war is gone. After this description it may well be asked, "What can we do?" I hesitate to offer a suggestion. It seems clear that self-interest alone as well as a desire to help calls for action.

The problem is too large for individual effort—it must be handled

by a nation. The United States seems to be the only nation in the world with the money and raw material necessary.

The first thing necessary would be a substantial amount of money to be used as a revolving fund—perhaps five hundred million or a billion dollars. This fund must be placed in the hands of some committee or commission with full powers and a personnel with constructive genius—such men as the late J. J. Hill and the late E. H. Harriman.

As one example of what might be done in many centres, technical experts could go to a city like Riga, pick out a few mills, determine what was needed in the way of raw material, fuel and accessories. These supplies could be purchased and shipped direct. A proper proportion of the finished product would be turned back to the fund for sale in

the markets of the world, to repay the advances.

I am convinced that it would only take a comparatively small beginning to bring new hope and new credit to private enterprise. At the first sign of a regular weekly payroll merchants, manufacturers and bankers would take heart.

It might be said that such operations would involve risk. This is true; but the conditions of the world are such that there are many hazards and the future of all business has uncertainties.

Even should we as a nation make a loss, and it might well be that we would make a profit on such a fund, it would be worth while to every individual if by this action we could kindle again the flame of life in the industries of eastern Europe.

It might be the means of preventing a further deterioration in the

cities, railroads, education and communication by mail and telegraph, all of which go to make up the machinery of modern civilization.

Europe with its many facilities, its quick interchange of commodities and ideas, has been torn apart. The United States has been dependent in its development upon the arts and the savings of Europe.

Unless rehabilitation can be begun across the water our own progress will undoubtedly be retarded. It might well prove that we, too, would suffer a setback the extent of which no one can foretell.

May 9th, 1920.

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